

VAT refunds may be locked at BURS for 6-7 months

The new VAT Bill of 2025 which may soon become law provides that a VAT registered supplier may apply for a refund where input tax credits exceed the output tax payable to the Botswana Unified Revenue Service (BURS), or where excess VAT has been paid. This position is not new, as it is also provided for under the current VAT Act, which the new Bill seeks to replace. However, the key change is that the refund process under the new Bill is expected to take significantly longer, approximately seven months in total. This represents a setback for taxpayers, as it means their funds will remain tied at BURS for extended periods, potentially placing strain on cash flow. In this article, words importing the masculine should be deemed to include the feminine.

Current VAT Act Vs. VAT bill of 2025

Both the current VAT Act and the VAT Bill prescribe similar procedures for processing refunds. Where the Commissioner General is satisfied that a refund is due, the amount is first applied against any outstanding tax liabilities, and any remaining balance is then paid to the taxpayer. The key distinction lies in the time it takes for the refund to be processed and paid. This discussion focuses specifically on refunds arising where input tax credits exceed output tax, resulting in excess VAT being refundable to the taxpayer.

Currently, refunds to regular exporters who charge VAT at the rate of 0% are due to these taxpayers by the end of the calendar month following that of the due date of the return, whilst refunds to other taxpayers are due by the end of the second calendar month following the return's due date. Under the proposed VAT Bill, refunds will no longer be automatically processed. Instead, excess input tax credits will first be carried forward and applied in subsequent tax periods. If the credits are not fully utilised, they will continue to be carried forward until exhausted. For Category A and B taxpayers who file on a bi-monthly basis, a refund application may only be made after carry forward for the next two tax periods (equivalent to four months) if the credits remain unutilised. Similarly, monthly filers in Category A may only apply for a cash refund after four months where the credits have not been fully used. This already introduces a minimum delay of four months before a refund application can even be made. Exporters, however, are excluded from this carry-forward requirement and may still receive their VAT refunds within 28 days of filing their returns.

The delay does not end with the carry forward of credits. Once a taxpayer submits an application, and the Commissioner General is satisfied that a refund is due, the amount may first be applied to settle any outstanding tax liabilities under the relevant tax law or any other tax law. Only thereafter will any remaining balance be refunded to the taxpayer, within 28 days of the taxpayer being notified of the decision. Importantly, the decision itself may take up to 60 days (approximately two months) from the date of application. In total, this means that from the point of applying for a refund to the final payment, the process can take around seven months, a considerable delay.

Rationale

Governments often impose waiting periods and verification processes for VAT refunds to reduce fraud and protect revenue. Carry forward rules allow tax authorities to confirm whether the excess credit will naturally be offset against future liabilities before releasing funds.

TAX HINT & CHEERS

If you have never had a tax audit conducted on your business by a tax firm, we highly recommend that you consider such so as to proactively reduce tax gaps. As we say goodbye, remember to pay Caesar what belongs to him. If you want to consult, join our free Tax WhatsApp group or to know about our 9 Tax e-books, send a text to +267 7181 5836 or email us at jhore@aupracontax.co.bw. You can read more tax articles on our website, www.aupracontax.co.bw under the 'Tax articles' tab.